

HSA's

A Better Health Insurance Solution

Health Savings Accounts Empower **Employees**

- Health Savings Accounts empower individuals to have greater control over their healthcare decisions.
- What are they? An HSA plan is a combination of a high deductible health insurance policy and a tax-exempt *personal* savings account to be used for qualified medical expenses.
- For 2010, annual deposits into the personal savings account can be as high as \$3,050 for individuals and \$6,150 for family coverage. In addition, individuals age 55 or older can deposit an additional \$1,000 per year.

With an HSA, you can benefit from:

- **Tax savings:**
 - A) Contributions are tax-deductible.
 - B) Contributions not made by payroll deduction can be deducted on the annual tax return.
 - C) Interest earned is tax-deferred.
 - D) Funds used for qualified expenses are tax-free.
- **Wide range of covered expenses:** Funds are available to cover medical expenses as well as expenses for dental, vision, COBRA premiums, and long term care insurance.
- **Portability:** An HSA savings account is individually owned, and is portable if a job change occurs.
- **Unused funds continue to accumulate:** Unused funds can be accumulated from year to year on a tax-free basis to cover future medical expenses. And beginning at age 65, unused funds can be used to pay for Medicare part "B" premiums and medical expenses and prescription drugs not covered by Medicare.
- **Supplement to retirement savings:** Beginning at age 65, unused HSA funds can be withdrawn for non-medical expenses after paying income taxes, just like an IRA withdrawal.
- **Family Benefits:** HSA disbursements can be made for medical expenses for an insured's spouse or dependents even though the spouse and dependents may not be covered by the insured's HSA health insurance plan.
- **No Loss of Use of Funds:** If an insured leaves a qualified HSA health insurance plan and enters a traditional health insurance plan, they can spend any accumulated unused funds in their traditional plan for qualified medical expenses. They just can no longer make additional deposits into their savings account because they must be enrolled in an HSA health policy in order to make deposits.
- **Convert After-Tax Dollars to Pre-tax:** In the current traditional health plans, out-of-pocket payments for deductibles and coinsurance are usually made with after-tax dollars. With an HSA health plan, all expenditures can be made with pre-tax dollars. This can result in a savings of approximately 30-35%, depending on tax withholding rates. For example, paying a \$2,000 deductible in a traditional health plan would only really cost an insured approximately \$1,400 using pre-tax dollars.
- **Preventative or Wellness Benefits:** In-network preventative care benefits are covered at 100%, not subject to the deductible. Covered benefits are based upon the insured's age and gender.

In summary, you can see how HSA's can provide flexibility and options for you to control your healthcare decisions.